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USUN FOR MICHAEL SNOWDEN

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SUBJECT: UNGA:2-C INSTRUCTIONS TO JOIN CONSENSUS ON DEBT
RESOLUTION

11. This is an action request.

12. USUN is instructed to join consensus on the following draft resolution: "External debt and development: Towards a durable solution to the debt problems of developing countries." The Department congratulates USUN negotiators for their successful efforts to bring considerable balance to this year's resolution on debt. You have managed to focus discussion away from calls for additional debt forgiveness to the crucial challenges of improving debt management capacity, reinforcing national responsibility for sound debt policy, and recognizing the need for greater transparency and accountability in public debt management. You have also gotten member states to take stock of the significant progress made in relieving the debt burdens of the world's poorest countries. Addressing developing country concerns on debt in this cooperative and constructive manner will be important as we begin the process in the coming year of reviewing and assessing progress in realizing the Monterrey Consensus on financing for development. USUN should reinforce these points in a plenary statement that draws on the text provided in para. 3 below.

13. Points for an explanation of position on the debt resolution when it is taken up in Second Committee plenary:

-- The United States is prepared to join consensus on this resolution. We strongly support the Monterrey Consensus that affirms that debt is an important part of the development finance equation, and that debt sustainability requires national strategies for managing liabilities, as well as good governance and sound domestic macroeconomic policies.

-- Much has been done to address the debt problems of developing countries in the past few years. The Multilateral Debt Relief Initiative has provided 24 debtors nearly \$42 billion in debt forgiveness. In addition, creditors participating in the Heavily Indebted Poor Countries (or HIPC) initiative have granted an additional \$45 billion in debt relief to 22 countries that have successfully completed targeted poverty reduction strategies. Another 9 countries have entered the HIPC process, and should benefit from an additional \$18 billion in HIPC debt relief upon completion of economic reform programs.

-- The U.S. has been a leader in promoting debt relief to eligible Heavily Indebted Poor Countries and to the low-income countries included in the Multilateral Debt Relief Initiative. Indeed the U.S. goes beyond the HIPC framework to forgive 100 percent of eligible bilateral debts for countries that meet their commitments under the HIPC initiative. We have also supported an increase in grant-based financing in countries that are unable to secure adequate financing because of their economic situation.

-- We are pleased that member states began to recognize those

accomplishments in this year's resolution. In confronting difficult challenges, such as a debt crisis, it is important that we periodically take stock of our progress, while at the same time renewing our commitment to tackling the challenges of the future.

-- While we have moved beyond a state of crisis in debt sustainability, we recognize that there are still many significant debt challenges facing individual countries and the international community collectively. Countries, particularly those benefiting from debt relief, must strengthen their capacity to manage debt and recognize this task as an important part of fiscal policy. As the resolution notes, part of the solution is the establishment of transparent and accountable debt management systems. Helping countries to build the capacity to do this work is an important part of the UN's activities. The United States recognizes that the UN Trade and Development Conference plays a significant role in this area, providing capacity building support that we should acknowledge and further encourage.

-- We also want to underscore that debt relief programs must focus on poor countries suffering from unsustainable debt. Efforts to extend these specialized debt relief programs to middle-income countries distracts from needed efforts to implement fully the HIPC and MDRI initiatives and to ensure that assistance funds are first directed to the most needy. In the absence of debt relief, sound debt management has its own reward in a lower price of debt financing for development.

-- This resolution on international debt management and sustainability calls on member states to foster the political will among creditors, both public and private, to provide comparable treatment to debtor countries that have already worked out sustainable debt relief agreements with the majority of its creditors. By urging comparable treatment, the UN is helping countries that seek to manage their debt responsibly and to use the resources freed to invest in development and poverty reduction.

-- The United States congratulates our development partners, both creditors and debtors alike, for their cooperative spirit in tackling the challenges of debt sustainability for development and urges continued meaningful discussion and support for effective debt management.

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